



Construction Materials Bid Exception Fact Sheet

Effective June 1, 2016 the state sales and use tax rate in South Dakota increases from **4 to 4.5%**. The new rate applies to sales of tangible personal property, products transferred electronically, and services. An exception to the state sales tax increase involves purchases of materials that are incorporated into construction contracts.

What is the exception?	Materials incorporated into construction projects that were bid or entered into before June 1, 2016 are subject to the 4% state plus applicable city tax. Contract change orders follow the tax rates in effect when the original contract was bid.
Who does this impact?	Contractors, material retailers and suppliers
How to document purchases?	Contractor needs to give written documentation to the material retailer or supplier at the time the materials are purchased for the project. The documentation is needed to verify the contract was bid or entered into <u>before</u> June 1, 2016. The material retailer or supplier needs to keep a copy of the documentation in its records. The Department has created a form for contractors to use as verification of the bid or contract date. It is available either by clicking here or visiting the Contractors' Excise Tax section of our website under Forms .
Applicable laws	SDCL 10-45-2.2, SDCL 10-46-5.2
Contract/Bid Date	Summary Details
Prior to June 1, 2016	<ul style="list-style-type: none"> Material retailer or supplier charges 4% state plus applicable city tax to contractor. Rate applies to construction materials installed through original contract and change orders. Contractor provides written documentation to material retailer or supplier. Material retailer or supplier retains documentation in its records. Contractor owes 4% state plus applicable city tax on materials purchased without sales tax.
June 1, 2016 or Later	<ul style="list-style-type: none"> Material retailer or supplier charges 4.5% state plus applicable city tax to contractor. Contractor owes 4.5% state plus applicable city tax on materials purchased without sales tax.
How can we help?	If you have additional questions, call the South Dakota Department of Revenue toll-free at 1-800-829-9188 or email us at bustax@state.sd.us